

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 FEA-01 ERDA-05 AID-05

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 7690

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FOR COMMERCE (BEWT/EEAD)

E.O. 11652: N/A

TAGS: ENRG, COMECON, CZ

SUBJECT: OFFICIAL ANNOUNCEMENT OF 1975 PRICE INCREASES FOR RAW
MATERIALS FROM USSR

1. IN LENGTHY, SIGNED ARTICLE APPEARING ON PAGE 3
OF RUDE PRAVO MARCH 1, JOSEF KEMPNY, MEMBER OF THE
PRESIDIUM AND SECRETARY TO CENTRAL COMMITTEE OF KSC,
OFFICIALLY ACKNOWLEDGES FOR FIRST TIME THAT PRICES OF
CRUDE OIL AND OTHER RAW MATERIAL IMPORTS FROM THE
USSR WILL RISE IN 1975 RATHER THAN AT END OF THE
CURRENT FIVE-YEAR PLAN.

2. IN A THREE-AND-A-HALF COLUMN SPREAD KEMPNY LEADS
INTO HIS ANNOUNCEMENT BY FIRST EXTOLLING BENEFITS TO
CZECHOSLOVAK ECONOMY OF DEVELOPMENT OF CLOSE ECONOMIC
TIES WITH CEMA PARTNERS. KEMPNY POINTS TO SALUBRIOUS
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IMPACT SUCH RELATIONS HAVE ON STABILITY OF GROWTH FOR

ALL CEMA MEMBERS AND NOTES THAT CZECHOSLOVAK FOREIGN TRADE IS CURRENTLY (AND PROPERLY) TWO-THIRDS ORIENTED TO SOCIALIST STATES, PRINCIPALLY TOWARD USSR. KEMPNY POINTS OUT THAT IN CSSR WERE FORCED TO IMPORT ALL OF ITS RAW MATERIALS FROM CAPITALIST STATES THE COSTS WOULD BE UNBEARABLE AND EFFECTS ON DOMESTIC ECONOMY "INDESCRIBABLE". DEPENDING AS IT DOES ON SOVIET UNION FOR 100 PERCENT OF NATURAL GAS, 95 PERCENT OF CRUDE OIL AND 85 PERCENT OF IRON ORE AND OTHER ESSENTIAL METALLURGICAL RAW MATERIAL IMPORTS, KEMPNY NOTES THAT CSSR HAS BEEN PROTECTED FROM SEVERE PRICE INCREASES FOR THESE MATERIALS IN WEST BY AGREEMENT REACHED WITH SOVIETS IN 1971 TO KEEP PRICES STABLE DURING THIS FIVE-YEAR-PLAN PERIOD. ALREADY SAVINGS AMOUNTING TO "MANY MILLIONS" HAVE BEEN ACHIEVED UNDER FAVORABLE PRICE ARRANGEMENTS WITH USSR.

3. HAVING LAID GROUNDWORK FOR THE BAD NEWS, KEMPNY THEN BLANDLY ANNOUNCES THAT AN ADJUSTMENT OF PRICES FOR SOME OF MOST IMPORTANT GROUPS OF RAW MATERIALS HAS ALREADY TAKEN PLACE IN 1975. WITHOUT GIVING SPECIFICS, HE STATES THAT ADJUSTMENT OF PRICES WAS CARRIED OUT IN SUCH A WAY AS TO FURTHER ASSIST IN DEVELOPMENT OF MUTUAL ECONOMIC RELATIONS (WITH CEMA PARTNERS). DESPITE INCREASES, NEW PRICES ARE SUBSTANTIALLY MORE ADVANTAGEOUS THAN PRICES PRESENTLY OBTAINING FOR SAME MATERIALS ON CAPITALIST MARKETS. KEMPNY GIVES AS HIS ONLY EXAMPLE THE NEWLY-AGREED UPON PRICE FOR SOVIET CRUDE OIL WHICH WILL BE 50 PERCENT LOWER THAN PRICE CZECHS ARE NOW PAYING FOR CRUDE ON CAPITALIST MARKETS.

4. COMMENT: ALTHOUGH KEMPNY CITES NO ACTUAL PRICES, WE FAIL TO SEE HOW PRICE TO CZECHS OF CRUDE FROM USSR IN 1975 COULD BE ONLY HALF AS HIGH AS PRICE ON WORLD MARKET, UNLESS CZECHS WILL BE PAYING LESS THAN OTHER E/E COUNTRIES FOR SOVIET CRUDE, OR ARE PRESENTLY PAYING MORE FOR MIDDLE EAST OIL THAN CURRENT MARKET PRICES. IT MAY BE THAT SOVIETS HAVE CHOSEN TO GO SOFTER ON CZECHS PERHAPS TO MAKE UP FOR PAST SINS, BUT LIMITED OFFICIAL USE

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WE DOUBT IT, HOLDING TO VIEW THAT KEMPNY IS SHADING TRUTH IN ORDER TO PUT BEST POSSIBLE LIGHT ON DIFFICULT SITUATION.
SHERER

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